

May Newsletter

Dear Neighbors,

The Legislative Session is finally over and Spring is here. In this newsletter I will update you on what has happened during the session and some things that have happened since.

Budget

In response to the Great Recession, Washington state government closed a \$19 billion budget gap over five years from FY2009 to FY2013 primarily with structural solutions. Last year's 2011-13 biennial budget alone filled a \$4.9 billion hole and left \$723 million in reserve. But, the lingering effects of the recession and a slower than expected recovery produced another \$1.9 billion shortfall for the Governor and Legislature to deal with.

After Governor Gregoire called an unprecedented special session in November 2011, the Legislature closed \$480 million of the gap with cuts like \$27 million to Corrections, another \$90 million at Social and Health Services, and \$54 million from education. But as cut-weary Legislators reconvened in January to solve the rest of the problem, they were helped by a modest \$96 million up-tick in the February 2012 revenue forecast and another \$300 million in unexpected caseload, utilization and cost savings.

After many years of sharp reductions, the 2012 Legislature found a way to retain funding for K-12 schools, higher education, the Basic Health Plan, and the Disability Lifeline. Meanwhile, they cut \$127 million from Temporary Assistance to Needy Families, pared back revenue sharing to local governments by \$74 million, eliminated a tax break for big banks for \$14.5 million, transferred \$148 million from other funds, modernized cash management to reduce the working capital reserve by \$238 million – and left \$311 million in reserve.

The Legislature also adopted a balanced budget requirement that takes effect with the 2013-15 biennium. This new provision makes Washington *the only state* to both require the Legislature to balance its current two year budget and to balance spending against anticipated revenue over a four-year period. The Economic and Revenue Forecast Council – now expanded to seven members by including the Treasurer as a voting member – will provide these longer term outlooks.

Meanwhile, the Legislature further reformed public pensions by scaling back early retirement factors for any new employees to save an estimated \$2.3 billion over 25 years for state and local governments combined. They also permanently repealed the oft-suspended class size reductions mandated in Initiative 728 to save another \$900 million in 2013-15, and cut over 1,000 more FTE from the state workforce which makes for a total FTE cut of more than 8,500 since the start of the recession.

Debt Limit

In previous newsletters I have mention the Debt Commission, which I was the chair of, and our recommendations to the Legislature. Based on those recommendations the Commission requested legislation which resulted in Substitute Senate Bill 6262 and Senate Joint Resolution 8221.

The state Constitution limits the issuance of state general obligation bonds. A working debt limit below the 9 percent constitutional limit is used for developing capital bond budgets. That working limit has been 8.75 percent for the past two biennia.

SSB 6262:

- Establishes a debt advisory council with seven members: the State Treasurer (non-voting), the Director of the Office of Financial Management (OFM), the Secretary of Transportation, and four legislators, each selected from the two majority caucuses of the Senate and the House of Representatives.
- Requires the Debt Advisory Council to advise the Governor and Legislature on the appropriate level of state debt.
- Requires enhanced reporting of debt service requirements for the Governor's budget requests and the capital appropriation bills.
- All provisions in the bill, except the enhanced reporting of debt service requirements, are null and void if the proposed amendment to the constitutional debt limit are not ratified by the voters.

Also introduced was Engrossed Substitute Joint Resolution 8221. This resolution would amend the Constitution to include the recommendations of the Commission on State Debt. The constitutional amendment was amended on the Senate floor and passed out of the Senate; however, it reverted to Senate Rules in the form that passed the Senate. The bill amends the Constitution in the following ways:

- Directs the Secretary of State to submit a constitutional amendment relating to the debt limit to the voters for approval and ratification, or rejection, in the next general election to be held in the state.
- Reduces the constitutional debt limit percentage from 9 percent to 8 percent by July 1, 2034.
- Modifies the debt limit calculation to extend the average annual general revenue from a three-year to a six-year average.
- Modifies the definition of general state revenues to include state property taxes.
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This resolution will need to be approved by voters on the November Ballot before the constitution can be changed. Visit my website to view the voter pamphlet statement. www.tre.wa.gov

Foreclosure Fairness Act

Last session the legislature passed the Foreclosure Fairness Act. This act enable families who where entering into foreclosure on their homes to request and have a mediation between them and the holder of their loan. The act went into effect on June 2011 and since its enactment it has help many families

come to some type of resolution. However, as with some policies until they are put into practice there is no way of knowing potential difficulties. Since its enactment many stakeholders from housing counselors, legal councils, financial institutions, and the our office met several times to discuss what was working with the Act and what needed to be fixed. I can say that the final outcome was truly a collaborative effort and it showed. HB 2421 was introduced as a technical fix to the FFA.

As can be the case with bills in the legislature both the House and Senate version got lost in the process. However, at the last moment the House version of this bill was added to another bill and was passed by the legislature. Due to this technical fix all parties involved in the process have a clearer sense of their role and deadlines. A big thank you goes to all stakeholders involved for their many hours of hard work. This will go a long way to helping Washington families.

Celebrating our Partners

April was money smart month and April 21-28th was “Money Smart Week”©. We joined with our partners and helped plan community events across our state that highlighted the importance of making sound financial decisions. On April 23rd we joined Jump\$tart for their annual kickoff luncheon to celebrate Money Smart Week©. This luncheon was also a celebration and recognition of Jump\$tart Washington winning coalition of the year out of the 50 coalitions across the country for all their hard work in the area of financial education. Congratulations Jump\$tart!

Next to Come

Though the legislative session is over our office still has work to do. Check future newsletters to learn about what projects we are involved in. As always please feel free to contact my office with any questions. Till next time.